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EXECUTIVES AND AUDITOR OF PEREGRINE SYSTEMS, INC.
INDICTED ON SECURITIES FRAUD CHARGES

Former Director of Alliances Pleads Guilty

WASHINGTON, D.C. - Attorney General John Ashcroft, Deputy Attorney General James B. Comey, United States Attorney Carol C. Lam of the Southern District of California, and San Diego FBI Special Agent in Charge Daniel R. Dzwilewski, announced today that a federal grand jury in San Diego, California, handed up an indictment charging eight former executives of Peregrine Systems, Inc., one former outside auditor of Peregrine, and two outside business partners of Peregrine, with conspiracy to commit a multi-billion dollar securities fraud. In addition, a former Peregrine sales executive entered a guilty plea to obstruction of justice charges, joining several others who have agreed to cooperate in the government's ongoing investigation.

Peregrine Systems, Inc. is a business software company headquartered in San Diego, California. The indictment alleges that from its initial public offering (IPO) in 1997 through 2002, Peregrine's reported 17 consecutive quarters of revenue growth that met or exceeded Wall Street analysts' expectations. Peregrine's stock price rose from its IPO price of approximately \$2.25 per share (split-adjusted) to a high of \$79.50 per share on March 27, 2000. As of June 30, 2001, Peregrine had issued over 162.76 million shares, which were trading at roughly \$29 per share, yielding a market capitalization of roughly \$4.72 billion. On May 6, 2002, Peregrine announced that it was conducting an internal investigation into potential misstatements in its prior financial reports. On September 22, 2002, Peregrine filed for federal bankruptcy protection, eventually canceling its common stocks leading to the loss of over \$4 billion in shareholder equity.

"The indictment charges these defendants with a massive conspiracy that had at its core one corrupt goal: to hit the numbers quarter after quarter, no matter what," said Attorney General John Ashcroft. "The betrayal of the public trust alleged in this indictment extended from the Chief Executive Officer who headed the scheme to the independent auditor who knowingly certified the company's false financial statements and allegedly made the continuing fraud possible. The Department of Justice, and its Corporate Fraud Task Force, remains committed to restoring confidence in the public markets by bringing all such offenders to justice"

The indictment charges former Peregrine Chief Executive Officer Stephen Parker Gardner, former Peregrine Executive Vice Presidents for Worldwide Sales Douglas Stephen Powanda and Andrew Vincent Cahill, Jr., former Peregrine Vice

President for Europe and Emerging Markets Jeremy Reeve Crook, former Peregrine President and Chief Operating Officer Gary Lee Lenz, former Peregrine Senior Vice President of Alliances Joseph Gerard Reichner, former KPMG Consulting LLC Managing Director Larry Alan Rodda, former President of Barnhill Management Corporation Michael Danny Whitt, former Peregrine Vice President of Finance and Chief Accountant Berdj Joseph Rassam, former Peregrine Revenue Manager Patrick Jude Towle, and former Arthur Andersen LLP audit partner Daniel Francis Stulac with conspiracy to commit securities fraud, securities fraud, wire fraud, bank fraud, and falsifying books and records.

“The investing public must depend upon the integrity of accounting professionals and company officers, and particularly upon outside auditors as a limiting check and balance on a corrupt company’s ability to deceive the public,” said Deputy Attorney General James Comey. “When an outside auditor conspires with company officials to deceive the public, the potential to cause harm is vast, as the billions of dollars of losses involved in this case amply demonstrate. The President’s Corporate Fraud Task Force will continue to pursue these cases to the utmost, to send the clear message to all those who participate in the public markets that such conduct will result in severe criminal penalties.”

In addition, former Peregrine Director of Alliances Peter James O’Brien pleaded guilty today to obstruction of justice charges, admitting that he intentionally withheld information about his and others’ participation in the securities fraud scheme, and agreeing to cooperate in the prosecution and investigation of others.

The investigation of Peregrine has already resulted in three guilty pleas. The former Chief Financial Officer Matthew C. Gless pled guilty to conspiracy and securities fraud, former Vice President of Sales Steven S. Spitzer pled guilty to conspiracy to commit securities fraud, and former Assistant Treasurer Ilse Cappel pled guilty to conspiracy to commit bank fraud.

“This indictment charges these defendants with knowingly perpetrating the largest fraud in the history of the Southern District of California,” said U.S. Attorney Lam. “The charges these defendants face are commensurate with the billions of dollars in losses they caused.”

“Today’s indictment represents another step forward in the FBI’s war on corporate fraud,” said FBI Special Agent in Charge Dzwilewski. “This ongoing criminal investigation serves as a clear example of the Bureau’s steadfast commitment to hold corporate officials, regardless of their position, responsible for their criminal activities.”

The indictment alleges that the defendants conspired from approximately the quarter ending March 1999 through May 2002 to deceive the investing public about

Peregrine's true financial performance and condition through a variety of means, including: (1) improperly booking software license revenue on backdated, impaired or sham transactions, in violation of Generally Accepted Accounting Principles ("GAAP"); (2) fraudulently deceiving financial institutions into extending credit based on false financials and false accounts receivable associated with dubious deals, thereby allowing Peregrine to deceptively improve its financial appearance; (3) concealing Peregrine's mountain of uncollectible accounts receivable by keeping bad debts associated with these deals off the books, and covertly writing them off as related to one or more of Peregrine's many acquisitions; and (4) employing various accounting tricks such as manipulations of reserves and unsupported journal entries to fraudulently improve Peregrine's financial appearance.

The case is the result of an investigation by the Federal Bureau of Investigation. A parallel civil enforcement action is being pursued by the Securities and Exchange Commission. The Attorney General praised the SEC's cooperation in this important investigation.

The government's investigation is continuing. An indictment contains allegations that a defendant has committed a crime. Every defendant is presumed innocent unless and until proven guilty.

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